



Testimony of Denise L. Nappier
Treasurer of the State of Connecticut
SUBMITTED TO THE FINANCE, REVENUE AND BONDING COMMITTEE
APRIL 2, 2018

Senators Fonfara and Frantz, Representatives Rojas and Davis, and members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to offer testimony in opposition to Senate Bill 525, *An Act Establishing the Connecticut Investment Board*.

This bill is deeply flawed in several material respects. I will offer comment on the most problematic of these. First, though, the Treasury's record of restoring integrity and transparency to the governance of Connecticut's pension plans deserves mention.

When I was first sworn in as Treasurer of the State in 1999, the first and most pressing priority of my administration was to untangle the web of corruption of my predecessor, Paul Silvester, which ultimately resulted in his guilty plea on federal charges of racketeering and money laundering. A focal point of the General Assembly's 2000 legislative session was a series of governance and ethics measures known collectively as Treasury Reform, which reflected the work of the legislature, the Ethics Commission and the Treasurer's Office. Together we worked to restore the public's trust in the investment process by requiring public disclosure of every pension investment decision and transparency throughout the investment decision making process.

Connecticut's Treasury Reform became a model of pension fund governance, particularly as it relates to the role of the State's independent Investment Advisory Council. This body has the power to review every pension investment recommendation made by the Treasurer, as well as approve the Investment Policy Statement, which includes the investment boundaries and allocation strategy for each of the State's plans and trusts. This enhanced oversight was in addition to the Council's authority to notify the Governor of any objections to an investment decision made by the Treasurer, which could lead to a decision to overrule any investment.

It is against this backdrop that I caution you to carefully consider the proposed bill before you, which adds nothing to the sound reforms already enacted by the General Assembly.

Senate Bill 525, if enacted, would eviscerate the primary responsibilities of the State Treasurer by vesting with a politically-appointed board the authority to make all investment decisions related to the State's pension plans and trust funds. The bill would significantly hamper the State's ability to operate its Short Term Investment Fund and the dozens of investment decisions that are made on

a daily basis – decisions that can't wait for a quarterly or special meeting of this new board. And with respect to key elements of issuing debt, the board would have sole discretion to defease outstanding bonds and to decide when and how to invest bond proceeds.

As if these provisions weren't enough, the bill would also fundamentally limit the participation of key stakeholders by eliminating representatives from the unions whose members comprise two of the State's largest pension plans – the State Employees' Retirement Fund and Teachers' Retirement Fund.

Another significant flaw is that appointed members of the board -- with the authority over nearly \$60 billion in public assets previously vested with a constitutional officer elected statewide -- would be exempt from the requirement under the Code of Ethics to file statements of financial interest, unlike the Treasurer and senior staff.

In closing, Connecticut's framework of pension fund governance has worked. I therefore oppose Senate Bill 525 and urge this Committee to reject this bill.